The Effects of Covid-19 on Household Welfare

Introductory course: The Economics of COVID-19 in Developing East Asia and the Pacific
November 2021
Roadmap of the Presentation

- Impact on household welfare
- Impact on education and learning
- Government support to households
COVID is affecting household welfare through several channels. These effects, if unmitigated, can cause long-term damage to household welfare.

**COVID Shock**

- Labor Income
- Non-labor Income
- Services
- Direct Effects on Consumption

**Employment/Income shocks**

- Transfers, public or private
- School, health care disruptions
- Supply disruptions, price increases

**Direct Effects on Consumption**

**These effects, if unmitigated, can cause long-term damage to household welfare.**
Over the last decade inequality had been declining
Work stoppages have affected the less educated most
Income losses have been widespread
Poorer households have used more damaging coping strategies

**Increasing debt and selling scarce assets**

- **Increased debt or sold assets to cope**
- **Used savings to cope**

**Reducing food consumption**
COVID has interrupted poverty reduction in the region

Note: Number of poor (USD 5.50 poverty line)
Covid is causing significant learning losses
Poorer households have less access to distance education

Access to interactive distance learning

[Bar chart showing the share of households with children attending school pre-pandemic for different countries, categorized by income quintile (Poorest, Q2, Q3, Q4, Richest).]
Pre-COVID fiscal policies had little redistributive impact
Countries have increased social assistance during pandemic
But targeting of transfers has been poor
Conclusion

During the pandemic:
- Harmful coping strategies by the poor risk adverse long-term consequences
- Poor children have also faced the greatest education disruptions
- Government responses have been poorly targeted

Moving forward:
- Governments need to strengthen and better target social protection
- Act forcefully to recoup learning losses, especially among the poor
References


